



Cut the Military Budget to Get Greater Security

Testimony on Behalf of Business Executives Move for New National Priorities

by
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PART I — Testimony Before the Defense Subcommittee of the Appropriations Committee of the House of Representatives of the United States, May 30, 1974

I am Henry E. Niles, Chairman of Business Executives Move for New National Priorities, a nationwide organization which opposes excessive military spending and favors meeting more adequately urgent domestic needs. I am retired chairman of the Baltimore Life Insurance Company; I served the US Government for a year in India as Deputy Director of the US Aid Program in that country, as Deputy Director of the Field Organization Branch of the Office of Price Administration, and as Management Consultant to the Quartermaster Corps. I appear on behalf of BEM because we feel that if Congress grants the FY 75 Department of Defense Budget request, it will decrease the nation's security against attack from without and turmoil within.

Tremendous Destructive Power and Mutual Fear

Both the US and the USSR have developed offensive weapons of tremendous destructive power. Although defensive weapons are also highly developed, if even a small percentage of the offensive weapons get through to their targets, the economy of the attacked nation and millions of its citizens will be destroyed. Civilization as we know it could be ended.

In the present period of detente with the Soviet Union and China there is little, if any, chance that either nation would attack the US unless it acutely fears an imminent attack by us. However, rightly or wrongly, the US and the USSR are suspicious of each other. Each fears the other may be preparing to attack it and therefore each feels that it must constantly be on the alert and be ready to make a preemptive first strike. Reduced tensions resulted from the doctrine of mutual assured destruction,—that in case of attack, a nation could strike back effectively. The counterforce strategy recently advocated by the Department of Defense is bound to increase suspicion of US intentions.

I believe that our government does not intend to initiate a surprise attack on the USSR or on the Peoples Republic of China. BUT I do believe that if I were a Russian, I would be alarmed at the proposed increase in the US military budget. I would be especially alarmed by the considerable increase in offensive weapons. The US already has a lead in ICBM's of approximately 3 to 1. (Secretary Schlesinger, in his Posture Report for FY 75, on page 50, shows US in mid-1973 with 6784 strategic

nuclear weapons in comparison to the USSR's 2200; by mid-1974, the figures are 7940 for the US and 2600 for the USSR.)

Number One in National Security

Some people want the US to be Number One in military power. I would prefer us to be Number One in *national security*. Our seeking to maintain our Number One position in *military power* may increase the chances of our becoming involved in a major war.

When a military weapon is fired against an enemy it has failed in its major purpose, no matter how accurate or how destructive it may be. The major purpose of offensive weapons is to discourage all other nations from attacking and to back up the nation's foreign policy by explicit or implied threats. If a proposed new weapon increases fear that the US is preparing for a first attack, it increases the chances of the suspicious nation attacking us. We may actually decrease our security if we increase our present lead in military power.

Inflation and National Security

Although there is disagreement as to the causes and cure of inflation, it is generally agreed that reducing Federal spending would reduce inflationary pressures. Prices rise when goods are less than plentiful. Military jobs produce money to be spent without increasing goods for normal personal expenditures. Jobs in the civilian economy produce those goods and services along with the income to buy them—the old theory by which Henry Ford became rich making cheap Tin Lizzies.

The military budget is the largest request upon which your committee will have to act. Reducing it materially would help our nation at this difficult time when a growing number of citizens are suffering increased hardships due to rising prices and unemployment. Many persons are no longer able to buy the quality and quantity of food they are used to eating. Some are even facing starvation.

"National Security" expenditures to prevent attack by the Russians,—whom else could we rationally prepare against?—are of little importance to a famished old person or to a hungry unemployed youth. Even the average citizen walking on a city street after dark is more fearful of criminal attack by a fellow American than he is of any weapon activated by a foreign foe. Tax money is needed to

build many aspects of true national security and prosperity. Even in this, the richest country in the world, there is not enough to meet all requests.

The DoD Budget Increased in Fiscal Year 1975

I have seen very different statements about the size of the DoD requests that were made in January of this year. Senator Stennis, Chairman of the Senate Armed Services Committee, added together the FY 74 Supplemental request and the FY 75 request. He said: "The sum of these two requests is \$99.1 billion. This sum compares to \$80.2 billion, including the military assistance program, which was appropriated for the Department of Defense last year for fiscal year 1974. In terms of budget authority these two requests are the largest ever requested in one year except for 1942, for which the total was \$99.5 billion . . ."

Secretary Schlesinger said that the 1975 budget in real terms "means doing no more than holding our own as compared to 1974". The Secretary's statement is unconvincing when one analyzes the figures.

A staff study made for the Joint Economic Committee of Congress "transfers the \$2 billion requested for new weapons from FY 74 to FY 75 and takes the emergency aid to Israel out of baseline comparisons. When this is done, the total defense spending in current dollars rises from \$84.8 billion in FY 74 to \$94.7 billion in FY 75, a rise of \$9.9 billion . . . These two manipulations (which the study reverses) create the illusion that this year's defense budget is the same size as last year's, and that baseline defense costs are going down. The reality is that the 1975 defense budget is substantially higher than the 1974 defense budget and baseline costs are going up."

Rising Military Pension Costs

I have been closely connected with the life insurance business all my life and therefore I am aware of the often unrealized future costs of pensions.

Senator Byrd of Virginia, on April 13 of last year, introduced into the Congressional Record (Pages S-7430-2) a study prepared by the staff of the Senate Armed Services Committee. This showed that the outlays for military retirement pay increased from \$195 million in 1950 to \$694 million in 1960 and \$2,849 million in 1970. The study gave projections in each year to 2000 A.D. The report states that the assumptions used were "somewhat conservative" and "if annual increases in basic pay and the Consumer Price Index are 7.2% and 3.0% respectively, then retirement pay costs could reach \$35 billion per year by FY 2000 or alternatively, the government would disburse between now and FY 2000 — 26 short years — over \$435 billion in military retirement pay."

A Liability For Which No Funding Has Been Provided

The \$435 billion does not include funding for future pension liabilities. As of the end of Fiscal 1973 the figures show "\$137 billion unfunded liability of military retirement discounted at three and one-half percent, which means that \$137 billion would have to be invested now and earn three and one-half percent interest into the future to cover the current unfunded liability of the military retirement system." Because there is no funding a total of

much more than the \$137 billion will have to be appropriated over the coming years to meet the already-incurred liabilities.

In 1965, when \$1.4 billion was paid out in pensions, the unfunded liability was \$58.3 billion. In 1970, with \$2.8 billion paid out, the unfunded liability was \$103.4 billion. The unfunded liability by the year 2000 will reach a staggering sum.

High Cost of Early Retirement

Much of the high pension costs is due to the many retirements of persons in their 40's from the lower ranks after 20 years of service and to the forced retirement of many officers between 50 and 54 years of age. The high cost of pensions for younger persons is indicated by the figures in the table below for a pension of \$10,000 per year for an average American male. the "Total Cost With No Funding" is what the average pensioner starting at the indicated age will receive over his lifetime. "The Cost With Full Funding" is how much the DoD would need to invest at the time the pensioner retires in order to meet its obligations to him. Any cost of living adjustments made after retirement would increase the costs shown in the table.

AGE	\$10,000 Per Year		
	Cost With No Funding	Cost With Full Funding	
		Assuming 3½% Interest	Assuming 5% Interest
40	312,300	178,700	147,600
45	268,400	162,600	136,000
50	227,200	145,500	124,100
55	189,500	128,100	111,100
60	155,100	110,400	97,400
65	124,700	93,200	83,600

Not only is the cost of early retirement high in dollars but also the government loses the benefit of the years of training and experience, particularly when an officer retires. In view of the fact that only about one in five of the men in the military are in combat units, it would seem that it is unnecessary to have such a low retirement age. If you cut military manpower, you can make important future savings as well as lower current costs.

A Challenge to Reverse the Arms Race

Dr. Allan Barnes, Vice President of the Rockefeller Foundation, recently suggested that the United States announce that it is making a 5% cut in defense spending and invite the USSR to do likewise. We would promise that if they do, the US will reduce another 5% next year and in the following years, if the Russians do the same. This would seem like a practical way to reduce excessive military costs without any sacrifice of security by either side.

I realize that this committee is not the proper body to push such a proposal on the diplomatic front. However, it does seem appropriate for this committee to recommend such a cut if it believes that the true security of our nation would be best served by such an allocation of available funds.

Opposition to Aid to President Thieu

BEM strongly opposes all military aid to President Thieu. We also oppose economic aid which is used to support the police and prison system of the Saigon government. Secretary Kissinger negotiated the Paris Peace Accords of January 1973. The US stopped bombing North Vietnam and our prisoners have been returned, but peace has not come to Vietnam. All four parties to the Accords have violated important provisions of them. The US should not give aid to one of the two governments in South Vietnam with which it signed the Accords. The Administration originally requested \$1,600 million for military aid to South Vietnam in FY 75. The Senate Armed Services Committee is recommending \$900 million. We hope you will recommend an even lower figure, — say \$500 million.

A \$15 Billion Cut in the DoD Budget

BEM favors a cut of \$10 to \$15 billion in the DoD budget. If we use Senator Stennis's basis of figuring, a \$15 billion cut would still give the Department of Defense *\$3.9 billion more than in 1974*. This would seem to be more than enough when relations with the Soviet Union have improved so much that the Nixon Administration is re-

commending a huge loan to the USSR for development of Siberian gas fields and when there are escalating needs at home for education, transportation, health, security, tax reduction and inflation control.

I close my testimony by quoting from one of BEM's military sponsors, Real Admiral Arnold E. True, US Navy Retired. He wrote on May 11, 1974:

"The present administration claims its greatest accomplishments in the field of foreign policy and pursuit of peace. The defense budget indicates preparation for war and assumption of new duties as world policemen. It diminishes National Security rather than increasing it.

"In this nuclear age, the only National Security involves also World Security and the only path toward it is in strengthening a world organization for the settlement of disputes and keeping the peace. The effort in this direction now by the US is a bet on war by a ratio of 10,000 to 1." (The DoD budget is 10,000 times that of the Arms Control and Disarmament Agency.) "The Defense Department is still living in a past age. It is not the Agency to bring about either peace nor true National Security in this era. Our only hope that our grandchildren will inherit a livable world lies with the members of Congress."

PART II — Additional Arguments from Testimony Before the Defense Subcommittee of the Appropriations Committee of the United States Senate, May 16, 1974

We, (BEM) believe our military expenditures can be reduced sharply without endangering our national security. This would lead to a healthier economy with less inflation, lower taxes and an enlarged domestic market for most goods and services. Specifically, we believe that the request of the Department of Defense for a peace-time record budget should be rejected. We believe that the request should be cut by \$10 to \$15 billion in order to increase our security against attack from without and to prevent erosion from within

Pressures on the Appropriations Committee

You gentlemen on the Appropriations Committee are under pressures which are comparable to those on the chief executive of a business organization. You have to balance the claims of the different groups within the Federal establishment whose requests for funds come to you. A business executive is familiar with this sort of problem. He has to balance the demands and pressures from different parts of his organization for increased funding and power. Those making the demands usually are sincere in thinking that their field is the most important one in the whole organization. The manufacturing people are sure that they are most important because without them there would be no products to sell. The sales vice-president and his people know that they are most important because there would be no profits without sales. The credit man-

ager is convinced that sales to those who won't pay could wipe out the company. The financial people are certain that without skillful management of capital funds, the enterprise would collapse. And so on, — except the research and development people — some of them may admit that they are not the most needed for today's success, but their work is surely most essential for next year's success! It is good to have people who believe in their jobs so long as there is coordinating control from the top of the organization. However, no one part of the organization is fully satisfied with the resources and power allotted to it. Any part of a business organization, if given more money and power, might do its own specialized job better — but the organization might be wrecked.

The President of the United States and the Office of Management and Budget have certainly had to do much of this kind of balancing of demands. However, under our system of government, Congress, not the Executive Branch, has final authority. You are representing the Senate in studying requests in detail and items or projects in which they are interested. Chief among these are the hundreds of military officers who spend much of their time trying to influence Members of Congress to vote for the DoD requests.

We in BEM urge you to consider the long-term implications of increasing the military budget in a period of detente between the U.S. and both the USSR and the Peoples Republic of China

Present Balance Would Not Be Upset

The present balance of terror should not be upset by either side increasing its lead. Instead, it would be much better to take steps downward toward balance at descending levels. This would not lessen military security and would enable the governments to meet better the domestic threats of disease, accident, crime, ignorance and poverty.

Better to Divert Funds to Meet Domestic Needs

There have been suggestions that a strong military force may be needed to preserve "law and order" if hunger, high prices, and unemployment lead to mass desperation and riots. If such a situation is feared, it would be better to divert funds from exceedingly expensive weapons, such as the B-1 bomber and the Trident submarine, and use them in the civilian economy to create more employment in the production of needed goods and services.

Possible Budget Cuts

Some of the specific ways in which the budget might be cut are:

1. A cut of all but a very small percentage of our troops and their dependents overseas, especially those now in Europe, Korea and Thailand.
2. Eliminating or slowing down development of the B-1 bomber, the SAM-D Air Defense System, the Trident Submarine, AWACS, Binary Gases and Tactical Mini-Nukes.
3. Reducing the number of permanent changes of station to a figure lower than one per man.
4. Cutting the manpower ceiling for military personnel and civilian employees.

Some Basic Questions

We wish to raise a series of basic questions:

1. Is it in the best interest of the United States to have the strongest military force in the world? Actions of our government to increase the military budget, especially for offensive weapons are likely to arouse Russian fears of a first attack by the U.S., thus increasing the chances that the USSR might take preemptive action.
2. If a major war starts, would our huge supply of armaments protect us from near or complete destruction?
3. Does the Executive Branch need bargaining chips for SALT II? (Senator Symington at the hearings of the Armed Services Committee on February 5, 1974, stated: "The ABM was sold as a bargaining chip; Trident was sold as a bargaining chip, and this new counterforce targeting is being sold as a bargaining chip. It took us four years to win World War II. What we dropped on Germany and Japan in four years was one twenty-fifth of 1 percent in TNT equivalent of what we have in the nuclear stockpile ready to drop tomorrow. Looking at the other vital aspect of true national security, the economic picture, I am worried about still more bargaining chips that pop up regularly and so heavily increase our military cost.")
4. Should any funds be included in the military budget in order to stimulate the economy? (Secretary Schlesinger stated that about \$1 billion had been included for this purpose. Others suggested that the figure was much larger. Various studies indicate that more jobs are created on the average by a given sum spent for civilian than for military purposes. Congress and the voters can judge better whether an economic aid program is desirable if it is not hidden in the military budget.)
5. Should we spend much more effort and money searching for alternatives to war? (The budget proposed for the Arms Control and Disarmament Agency is about \$9,500,000 for Fiscal 75. This is about one ten-thousandth of the proposed defense budget.)

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